



# Barber and Beauty Shops

**How Do Wisconsin Sales and Use  
Taxes Affect Your Operations?**



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**IMPORTANT CHANGES**

**Combination of tangible personal property and nontaxable service.** Information has been included to address the tax treatment of furnishing tangible personal property with a nontaxable service. Pages 2 and 3.

**Business tax registration.** Information has been added to explain how to obtain a Wisconsin seller's permit, including information regarding online registration. Page 7.

**Electronic filing.** Options to electronically file returns are explained. Pages 7 and 8.

if the sales take place in a municipality located wholly or partially in Milwaukee County.)

- (e) Premier resort area tax: Publication 403, *Premier Resort Area Tax*. Applies in the Village of Lake Delton, the City of Wisconsin Dells, and the City of Bayfield.

**CAUTION**

The information in this publication reflects interpretations by the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature as of March 1, 2006. Laws enacted after that date, administrative rules, and court decisions may change the interpretations in this publication. The examples and lists of taxable and nontaxable sales and purchases are not all-inclusive. They merely set forth common examples.

## I. INTRODUCTION

This publication explains how Wisconsin sales and use taxes affect barber and beauty shops. It includes examples of nontaxable and taxable sales and purchases. If you have questions after reading this publication, contact any Wisconsin Department of Revenue office for assistance.

Certain sales and purchases by barber and beauty shops which are subject to the 5% state tax may also be subject to the (a) 0.5% county sales and use tax, (b) 0.1% baseball stadium sales and use tax, (c) 0.5% football stadium sales and use tax, (d) 0.25% local exposition tax on food and beverages, and (e) 0.5% premier resort area tax. Additional information about these taxes is contained in the following:

- (a) County tax: Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII.
- (b) Baseball stadium tax: Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII.
- (c) Football stadium tax: Publication 201, *Wisconsin Sales and Use Tax Information*, Part XVIII.
- (d) Local exposition tax on food and beverages: Publication 410, *Local Exposition Taxes*. (Sales of food and beverages which are subject to the 5% Wisconsin state sales tax may also be subject to the 0.25% food and beverage local exposition tax

## II. SALES

### A. Nontaxable Sales

#### 1. Sales of Nontaxable Services

Charges by a barber or beauty shop for services performed on persons are not subject to Wisconsin sales and use tax.

Examples of nontaxable services performed on persons include (this list is not all-inclusive):

- body wrapping (for example, herbal, mud)
- cutting, dyeing, perming, shampooing, and styling hair
- electrolysis
- massaging
- manicuring
- pedicuring
- performing facials
- piercing ears (and other body piercing)
- shaving
- spray tanning

- tanning in tanning bed or booth
- tattooing (permanent or temporary)
- waxing

## 2. Sales of Nontaxable Tangible Personal Property

Sales of food, food products, and beverages from a vending machine, except those listed in Part B.1., are exempt from Wisconsin sales and use tax.

**Note:** Food, food products, and beverages sold from vending machines are considered to be sold for consumption off of the premises of the barber or beauty shop. Therefore, certain food and beverages, such as milk, cookies, and potato and corn chips, sold from vending machines are not taxable.

See Part V, pages 5-7, for information about special situations.

## B. Taxable Sales

**Note:** The occasional sale exemption **may** apply to sales described in Sections 1. and 2. below. (See Part IV, pages 4 and 5.)

### 1. Sales of Taxable Tangible Personal Property

The sale, lease, or rental of tangible personal property by a barber or beauty shop is subject to Wisconsin sales tax.

Examples of taxable sales of tangible personal property include (this list is not all-inclusive):

- candy, coffee, and soda sold for consumption on or off the premises of the barber or beauty shop
- chips, peanuts, and pretzels sold for consumption on the premises of the barber or beauty shop (unless sold from a vending machine)
- false nails \*
- greeting cards
- hair-care products and accessories (for example, combs, brushes, shampoos, conditioners, hair bows)\*

- jewelry \*
- lotions \*
- packaged cosmetics (for example, powders, lipstick, nail polish) \*
- perfumes \*
- vending machine sales of tangible personal property that are not food or beverages (for example, combs, brushes, aspirin)
- vending machine sales of the following food, food products, and beverages:
  - meals and sandwiches, whether heated or not
  - heated food or beverages
  - soda fountain items, such as sundaes, milk shakes, malts, ice cream cones, and sodas
  - candy, chewing gum, lozenges, popcorn, and confections
  - soda water beverages, soft drinks, and fruit drinks and ades that are not fruit juices
- wigs, toupees, and hair pieces\* (see Part V.A., pages 5 and 6, for a special exemption for custom-made wigs and hairpieces)

\*If a nontaxable service is provided with these items, see Section II.B.3., pages 2 and 3.

### 2. Sales of Taxable Services

A barber or beauty shop's service to tangible personal property is subject to Wisconsin sales or use tax. For example, the charge for cleaning a wig is subject to Wisconsin sales or use tax. (See Part V.A., pages 5 and 6, for a special exemption for custom-made wigs and hairpieces.)

### 3. Combination of Tangible Personal Property and Nontaxable Services

When tangible personal property is transferred by a barber or beauty shop to a customer incidentally with a nontaxable service, the entire charge to the customer is nontaxable. The barber or beauty shop is considered the consumer

of the tangible personal property that it uses in providing the service and is liable for Wisconsin sales or use tax on its purchase of such property. (See Part III, pages 3 and 4.)

If it is optional that the tangible personal property be obtained from the service provider, the tangible personal property is not considered to be transferred incidentally with the nontaxable service. The charge for the tangible personal property is subject to tax, unless an exemption applies.

**Example 1:** Beauty Shop A is offering a special. Persons who have their hair styled for \$10 may purchase a package of hair bows for \$5. The \$10 charge for hair styling is not taxable; however, the \$5 charge for the hair bows is taxable.

**Example 2:** Tan Room B sells a tanning session for \$10. The customer is required by Tan Room B to wear protective goggles. The customer may either buy the goggles from Tan Room B for \$5, rent the goggles for \$1, or purchase the goggles from another retailer. The \$10 charge for the tanning session is not taxable. The charge for the goggles is taxable, regardless of whether the goggles are sold or rented.

**Example 3:** Salon Y charges Customer Z \$35 to apply false fingernails. The false fingernails are provided by Salon Y and included in the \$35 charge. If Customer Z were to bring in her own false fingernails for Salon Y to apply, Salon Y would still charge Customer Z \$35 to apply the false fingernails that she brings in. Salon Y's charge of \$35 to Customer Z is not subject to tax. Salon Y is liable for sales or use tax on its purchase of the false fingernails that it provides to Customer Z in providing the nontaxable service of applying the false fingernails.

**Example 4:** Same as *Example 3*, except that Salon Y would charge Customer Z \$20 to apply false fingernails that she brings in. Since the \$15 charge for the false fingernails is optional (that is, Customer Z receives the service for a lesser amount if she chooses not to purchase the false fingernails from Salon Y), the \$15 charge

for the sale of the false fingernails to Customer Z is subject to tax. The \$20 charge to apply the nails is not subject to tax. Salon Y may purchase the false fingernails that it sells to Customer Z without tax for resale. See Part III.B., page 4, for information about purchasing items for resale.

**Example 5:** Same as *Example 3*, except Salon Y does not reduce the price for false fingernails that Customer Z brings in. Salon Y does offer premium nails for an additional charge. Salon Y offers the standard false fingernails for its fee of \$35, but Customer Z may choose the premium false fingernails for a total charge of \$65. Of the \$65 charge, \$35 is considered to be for providing the nontaxable service of applying the false fingernails, and the additional \$30 is for the taxable sale of the false fingernails. Salon Y may purchase the false fingernails that it sells to Customer Z without tax for resale. See Part III.B., page 4, for information about purchasing items for resale.

### III. PURCHASES

#### A. Purchases of Items Used By a Barber or Beauty Shop

##### 1. Taxable Purchases

Items purchased and **used** by a barber or beauty shop are taxable. This includes items that it uses in providing a nontaxable service (for example, cutting, dyeing, perming, setting, or shampooing hair, hairstyling, electrolysis, massaging, manicuring, pedicuring, piercing, shaving, tanning).

Examples of items used by a barber or beauty shop are as follows (this list is not all-inclusive):

- combs and brushes
- shampoos and conditioners
- hair dyes, gels, and sprays
- rollers, curling irons, and hair dryers
- oils, creams, and lotions

- scissors, razors, and clippers
- office supplies
- chairs and tables

## 2. Don't Forget Use Tax

A barber or beauty shop is liable for Wisconsin use tax if it purchases items that it uses and the seller does not charge Wisconsin sales or use tax to the barber or beauty shop.

Two common situations are:

- a. Buying items (for example, combs, brushes) from an out-of-state seller that does not charge Wisconsin sales tax, and
- b. Buying items without tax by providing an exemption certificate indicating resale to the seller of tangible personal property and then using the property in providing non-taxable services.

**Example 1:** Salon E purchased new mirror tables for \$500 plus \$50 shipping for its salon from Company G, located outside Wisconsin. Company G shipped the new tables to Salon E and did not charge Wisconsin sales or use tax. Salon E must report and pay use tax on \$550 (its purchase price, including shipping, of the mirror tables).

**Example 2:** Shampoo is purchased for \$2 a bottle without sales and use tax by Barber Shop H to sell to its customers. The shop uses 20 bottles of shampoo in providing shampooing services to its customers. Barber Shop H is subject to tax on its purchase price (20 bottles x \$2 = \$40) of shampoo it used in providing its nontaxable services.

## B. Purchases of Items Which Are Sold to Customers

Tangible personal property and taxable services purchased by a beauty or barber shop that it will not use, but will sell to its customers, may be purchased by the beauty or barber shop without tax by providing an exemption certificate indicating resale to its supplier. Sales tax is collected by the barber or beauty shop when the tangible personal property and taxable services are sold to its customers.

Examples of items that may be purchased by a barber or beauty shop without tax if they are purchased to sell to others are (this list is not all-inclusive):

- candy, coffee, and soda sold for consumption on or off the premises of the barber or beauty shop
- false nails\*
- greeting cards
- hair-care products and accessories (for example, combs, brushes, shampoos, conditioners, hair bows)\*
- jewelry\*
- lotions\*
- packaged cosmetics (for example, powders, lipstick, nail polish)\*
- perfume\*
- wigs, toupees, and hair pieces

\*If a nontaxable service is provided with these items, they may be subject to tax when purchased. See Part II.B.3., pages 2 and 3.

**Note:** A barber or beauty shop is required to pay sales or use tax on its purchases of tangible personal property sold to customers if the sales qualify as exempt occasional sales. (See Part IV, pages 4 and 5.)

## IV. OCCASIONAL SALE EXEMPTION

Sales of items listed in Part II. B., pages 2 and 3 of this publication, may be exempt from Wisconsin sales and use tax as occasional sales if certain conditions are met. If a barber or beauty shop's sales qualify for the occasional sale exemption, it is not required to remit Wisconsin sales tax on such sales.

**Note:** A barber or beauty shop is required to pay Wisconsin sales or use tax on its purchases of tangible personal property and taxable services which it resells as exempt occasional sales.

A barber or beauty shop qualifies for the occasional sale exemption if:

- a. It does not hold and is not required to hold a Wisconsin seller's permit, and
- b. It meets either Condition 1 or Condition 2 (below).

**Condition 1** - Its "taxable sales" of tangible personal property and taxable services are less than \$1,000 during the calendar year.

**Note:** "Taxable sales" means total sales (line 1 of Form ST-12, *Wisconsin Sales and Use Tax Return* (7/05)), less allowable deductions. Allowable deductions include amounts properly deducted on lines 2 through 5 of the Form ST-12 (for example, resale, exemption certificate sales). Allowable deductions do not include the deduction for "tax paid purchases resold," which is claimed on line 5 of Form ST-12.

**Example:** Barber Shop T does not hold a Wisconsin seller's permit. Barber Shop T sells shampoo and brushes during the year totaling \$1,200 in sales. Valid, properly completed exemption certificates were provided to Barber Shop T for \$300 of these sales. Barber Shop T did not sell any other tangible personal property or taxable services during the year.

Barber Shop T's sales of shampoo and brushes qualify for the occasional sale exemption because Barber Shop T's "taxable sales" were less than \$1,000 (that is,  $\$1,200 - \$300 = \$900$ ). **Note:** Since Barber Shop T's sales of shampoo and brushes qualify for the occasional sale exemption, Barber Shop T is required to pay Wisconsin sales or use tax on its purchase price of the shampoo and brushes it sells.

**Condition 2** - Its "taxable sales" of tangible personal property and taxable services are \$1,000 or more during the calendar year, but (a) its sales of such property and services are isolated and sporadic and (b) the facts and circumstances support the inference that the barber or beauty shop is not pursuing a business or part-time business as a vendor of tangible personal property or taxable services.

**Example:** Beauty Shop U does not hold a seller's permit. Beauty Shop U sells one piece of used equipment for \$10,000. Beauty Shop U makes no other sales of tangible personal property or taxable services during the calendar year.

Although Beauty Shop U's sales of taxable tangible personal property and taxable services are more than \$1,000, its sales are still exempt from Wisconsin sales and use tax because (a) the sales occur on an isolated and sporadic basis (for example, only one taxable sale in the year) and (b) the facts and circumstances support the inference that Beauty Shop U is not pursuing a business or part-time business as a vendor of personal property or taxable services (for example, Beauty Shop U makes no other sales of tangible personal property or taxable services).

**Note:** If a barber or beauty shop has a question as to whether its sales qualify for the occasional sale exemption, it should write to the Wisconsin Department of Revenue, Mail Stop 5-77, P.O. Box 8949, Madison, WI 5374-8949 or e-mail the department at [sales10@dor.state.wi.us](mailto:sales10@dor.state.wi.us).

## **V. SPECIAL SITUATIONS**

### **A. Exemption for Custom-Made Wigs and Hairpieces**

The sale of a wig or hairpiece that is custom-made is exempt from sales tax if all three of the following conditions are met:

1. It is individually designed, constructed, or altered for the customer.
2. It is solely for the use of a particular physically disabled person.
3. It becomes a brace, support, supplement, correction, or substitute for the bodily structure.

If a beauty or barber shop performs a normally taxable service (for example, cleaning a wig) on an "exempt custom-made wig or hairpiece," the charge by the beauty or barber shop is not subject to Wisconsin sales and use tax. An "exempt custom-made wig or hairpiece" is a custom-made wig or hairpiece which the beauty or barber shop's customer could

purchase and take possession of without paying Wisconsin sales or use tax at the time the beauty or barber shop's service is performed.

**Example 1:** Company A sells a wig to a customer who is undergoing chemotherapy, which causes hair loss. The customer's head is measured and hair color is matched. Company A sends the information to a manufacturer who custom manufactures the wig based on the customer's specifications. Since the sale of the wig meets all three conditions above, the sale is not subject to Wisconsin sales or use tax. The services of cleaning and repairing the wig are also not subject to Wisconsin sales or use tax.

**Example 2:** Company A also sells manufactured wigs and hairpieces. A customer that has suffered loss of hair due to chemotherapy treatments purchases a manufactured wig. The wig is not individually designed for this customer. Company A's sale of the wig is subject to Wisconsin sales or use tax because the sale did not meet Condition 1, above. The services of cleaning and repairing the wig are also subject to Wisconsin sales or use tax.

## **B. Leasing Chairs and Floor Space Rental**

If a barber or beauty shop leases both (1) a barber or beauty shop chair attached to the building floor or walls (real property) and (2) floor space, the charge for both the chair and floor space is not subject to Wisconsin sales or use tax. The barber or beauty shop is liable for sales or use tax on its purchase of the chair.

However, if the barber or beauty shop leases the chair only and is not the lessor of the floor space, the charge for the chair lease or rental is subject to tax. The rental of equipment that is not affixed to real property (for example, hair dryer, broom) is subject to sales and use tax. If the barber or beauty shop's only use of the chair is to rent it to others for a fee, the barber or beauty shop may purchase the chair without tax for resale.

**Example 1:** Joe owns Barber Shop J. Although Barber Shop J has three barber chairs, Joe only uses one chair to cut hair. Joe rents the other two chairs and floor space to other barbers, Pete and Frank. Assuming that the barber chairs are attached to the walls or floor of the shop, Joe's rental charges to

Pete and Frank for the floor space and chairs are not subject to sales or use tax.

**Note:** If the barber chairs are not attached to the real property, Joe's charge for the chair rental is subject to Wisconsin sales tax. The charge for the floor space rental is not taxable.

**Example 2:** Beauty Shop C leases floor space to four beauticians. Each beautician rents a chair from The Chair Rental Center that is placed in Beauty Shop C. Since Beauty Shop C is leasing the floor space only, Beauty Shop C's charges to the beauticians are not subject to tax. The Chair Rental Center's charges for the rental of the chairs are subject to Wisconsin sales or use tax. If The Chair Rental Center does not charge the beauticians sales tax on the chair rentals, each beautician is liable for use tax on the charge for renting the chair.

**Example 3:** Barber Shop G leases to Barber Fred both floor space and a barber chair attached to the floor of the shop. Barber Fred also may use Barber Shop G's other equipment (for example, hair dryers, broom, scissors) for no additional fee. Barber Fred receives no discount if he does not use the other equipment. Barber Shop G's charges to Barber Fred are not subject to tax. Barber Fred is not considered to be renting the equipment. No taxable amount should be allocated to the equipment.

**Note:** If Barber Fred could receive a discount if he chose not to use Barber Shop G's equipment, a taxable amount must be allocated for the rental of the equipment to Barber Fred.

## **C. Sales of Business Assets**

### **1. Selling Business Assets While Continuing Business**

- a. Beauty or barber shop holds or is required to hold a seller's permit

Sales of business assets (for example, tangible personal property such as chairs and equipment) are taxable if the barber or beauty shop holds or is required to hold a seller's permit.



**Example:** Jo's Place, which holds a seller's permit, cuts hair and sells hair care products and accessories. Jo's Place sells two display cases for \$150. The sale of the display cases is taxable.

- b. Beauty or barber shop does not hold and is not required to hold a seller's permit

Infrequent or sporadic sales of business assets are not taxable if the barber or beauty shop does not hold and is not required to hold a seller's permit.

**Example:** Barber Shop Q cuts hair. Barber Shop Q does not hold and is not required to hold a Wisconsin seller's permit. Every five years, Barber Shop Q replaces all of its old barber chairs with new chairs. Barber Shop Q's sale of the old chairs is not taxable because Barber Shop Q does not hold and is not required to hold a seller's permit. Its sales of tangible personal property are isolated and sporadic.

## 2. Selling Business Assets After Ceasing Business

A beauty or barber shop's sales of tangible personal property (other than inventory held for sale) after it has ceased actively operating its business at that location are not taxable. It does not matter that the beauty or barber shop holds or is required to hold a seller's permit for other locations.

**Example:** Beauty Shop J, which held a Wisconsin seller's permit, terminated its business activities on June 28, 2005. In July 2005, Beauty Shop J sold its business equipment and inventory. Since it had terminated its business activities before selling the equipment, the sale of its business equipment is not subject to Wisconsin sales or use tax. Sales of inventory are subject to Wisconsin sales or use tax unless an exemption applies (for example, resale).

## VI. OBTAINING A SELLER'S PERMIT

A barber or beauty shop may apply for a seller's permit using one of the following methods:

- Complete Form BTR-101, *Application for Business Tax Registration*, and mail it to the Department of Revenue. Form BTR-101 may be obtained from any Department of Revenue office or online at [www.dor.state.wi.us/forms/sales/index.html](http://www.dor.state.wi.us/forms/sales/index.html).
- Use the Department of Revenue's online registration system and submit the application electronically. Go to <https://w2.dor.state.wi.us/GenericFile/application?interview=1086489>.

## VII. FILING RETURNS

A beauty or barber shop that has a seller's permit must file a return for each "reporting period," even if no tax is due for that period. Its "reporting period" will be either monthly, quarterly, or annually. For example, if a beauty or barber shop's reporting period is monthly, it must file a return for each month of the year, regardless of whether any tax is due for the month.

Generally, a seller's reporting period will be quarterly, unless the Department of Revenue notifies it in writing that its returns must be filed monthly or annually.

If the seller does not file using the Sales Internet Process (SIP), as explained below, a return will be mailed to it shortly before the end of each reporting period. If it files sales and use tax returns on a monthly basis, it will be sent three returns at a time. For example, returns for July, August, and September will be sent to the seller at the end of July.

The Department of Revenue currently has three options available for electronic filing of sales and use tax returns:

### 1. Sales TeleFile

A Wisconsin sales and use tax return can be filed with any touch-tone telephone. This program accepts four payment types: Electronic Funds Transfer (EFT), credit card, check, or money order. To use TeleFile, a seller must obtain a Sales TeleFile worksheet and payment

voucher under the “Business” section of the DOR web site. When you have completed the worksheet, call (608) 261-5340 in Madison or (414) 227-3895 in Milwaukee to actually file a return.

## 2. Sales Internet Process

Sales Internet Process (SIP) is a free, Internet-based electronic filing application for sales and use tax. It performs calculations, provides a history of all the seller’s electronically filed returns, issues a receipt, and allows the seller to make its tax payment by EFT, check, or money order. To use SIP, the seller will need to apply for and obtain a logon ID and password when it begins filing its tax returns at [www.salestax.dor.state.wi.us](http://www.salestax.dor.state.wi.us).

## 3. File Transmission

This program is a service for taxpayers using approved private vendors’ software or who have the technical expertise to create a file in XML format. File transmission places return data into a file format that can be directly processed into the DOR system. Using secure transmission over the Internet a seller can submit an EFT payment within the same file. It will receive an e-mail acknowledgement to confirm receipt of a successful file transmission. Information about file transmission can be found in the “Business” section of the DOR web site.

The department may require a person registered or required to be registered for Wisconsin sales or use tax purposes to file its sales and use tax refunds by electronic means. A seller that is unable to file electronically may request a waiver from the Department of Revenue. A waiver will be granted if the requirement to file electronically causes an undue hardship.

For additional information about these filing options and other E-Services that the Department of Revenue offers, please go to the department’s web site at [www.dor.state.wi.us/eserv/index.html](http://www.dor.state.wi.us/eserv/index.html).

## VIII. QUESTIONS?

If you have a question about sales and use taxes, write to the department in Madison or call or visit any department office.

Write . . .            Wisconsin Department of Revenue  
                             Mail Stop 5-77  
                             P.O. Box 8949  
                             Madison, WI 53708-8949

Telephone . . .    (608) 266-2776

TTY . . .            (608) 267-1049

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